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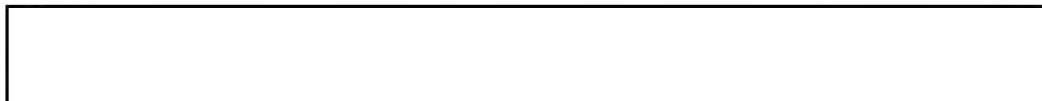
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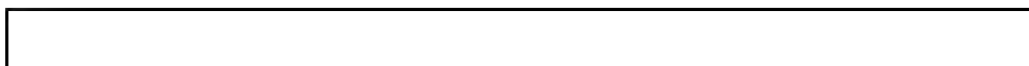
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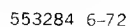
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VIETNAM: North Vietnamese pressure on the My Chanh line north of Hue has eased for the moment.

Communist infantry and artillery attacks decreased markedly on 25 and 26 June, partly as a result of heavy allied air and artillery bombardment. The enemy is still moving troops and equipment forward, however, and further probes in strength are almost certain.

Elsewhere in South Vietnam, the North Vietnamese have been maintaining pressure around Phu My District town in Binh Dinh Province. Other Communist units destroyed or damaged over a third of a 100-truck South Vietnamese convoy just east of the An Khe Pass.

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A Radio Hanoi broadcast yesterday said that "new forces" were supplementing communications and transportation workers in North Vietnam. The short statement was buried in a long article by North Vietnam's minister of communications that urged Vietnamese workers to provide the new forces with the "utmost assistance," and to "closely cooperate" with them. The use of the term "new forces" suggests that these are Chinese personnel.

While there have been rumors in Hanoi over the last few weeks that the Chinese had sent or were planning to send transportation workers to North Vietnam, this is the first open indication that this may be occurring. The broadcast gives no indication of the number of personnel who may be present. [REDACTED]

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KOREA: Pyongyang is intensifying pressure on Seoul to enter a public political dialogue.

In interviews granted representatives of the New York Times on 26 May and the Washington Post on 21 June, Premier Kim Il-sung provided the most reasonable and flexible elaboration of his strategy for dealing with South Korea yet put forward. On the political level, Kim spelled out an elaborate scenario envisioning a gradual evolution toward national elections and unification and expressed a willingness to meet with President Pak Chong-hui to discuss these possibilities.

Kim also offered specific proposals for mutual troop reduction and suggested a mutual withdrawal of all military forces and installations from the DMZ. As in previous statements, Kim implied that there could be considerable progress in lessening tension between the two sides, including a peace agreement, prior to a withdrawal of US forces. However, he reiterated that a continued American presence in South Korea would be a major stumbling block to meaningful progress on the political level.

Although there are some new specifics in Kim's latest remarks, they generally mark an extension of his efforts since last August to gain South Korean acceptance of an open, high-level discussion of substantive political issues. Seoul has evinced interest in dealing with the North, but it has been essentially cautious and has adamantly refused to make any public gesture toward Pyongyang apart from participation in the current Red Cross talks on uniting divided families.

In broadening his proposals, Kim Il-sung probably hopes to capitalize on the desire of the major powers to ensure stability on the Korean peninsula. By holding out Pyongyang's willingness to work toward political accommodation, Kim probably calculates

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that he can intensify pressure on the South Koreans by the US and other concerned nations to open discussion with Pyongyang on the major issues dividing Korea. In Pyongyang's view, the commencement of such negotiations would increase the chances of achieving US withdrawal and erode the rationale for continued UN involvement in Korea. In both interviews, Kim implied that these are central objectives of his political strategy. [REDACTED]

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BRAZIL: Rumors circulating in Brazil that Finance Minister Delfim Neto is to be replaced are causing a growing uneasiness in the financial community. Delfim is so closely identified with the policies that have produced Brazil's "economic miracle" that these rumors have already sparked a seven-percent drop in the Rio de Janeiro stock market.

The rumors have been fueled by public indications that President Medici is dissatisfied with continuing high rates of inflation and unequal distribution of income. Medici has ordered his cabinet to give top priority to these problems. Delfim's plan to visit the impoverished Northeast soon indicates that he has taken the President's directive to heart, although he continues to assert that there has been no basic change in his economic strategy.

Medici apparently views the problems of inflation and income distribution as a threat to the nation's political stability, which has been achieved at high cost. His recent policy directives seem to be aimed at averting a rapid increase in popular dissatisfaction. At the same time, he is trying to maintain his strong hand in the selection of a successor--a process that is already unofficially under way, even though the transition will not take place until 1974.

Although the possibility exists, Medici is unlikely to dismiss Delfim, because he generally is given much credit for Brazil's economic success and enjoys the confidence of the business community. While Delfim is by no means indispensable, Medici will be extremely careful not to undermine that confidence.

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TUNISIA: President Bourguiba's first state visit to Paris beginning tomorrow will crown Tunisia's reconciliation with France. France invited Bourguiba early in 1969, ending his five-year personal feud with President De Gaulle that began when Bourguiba abruptly nationalized all French farmlands, but the Tunisian President's prolonged illnesses forced postponement of an earlier visit. In the interim, relations steadily improved, and with the signature last fall of several economic and financial agreements, the privileged partnership that existed after Tunisian independence was resumed. The visit to Paris concludes two months of intense activity on the part of Bourguiba, who recently received Algerian Prime Minister Boumediene and Egyptian President Sadat and has himself visited Algeria and attended the meeting of the African chiefs of state in Rabat.

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